

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



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OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response ... 12.00

SEC FILE NUMBER
8- 47318

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2002 AND ENDING 12/31/2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

HILLCREST ASSET MANAGEMENT, INC.
(formerly Ballentine Investments, Inc.)

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

800 PLUM TREE ROAD

(No. and Street)

BARRINGTON

ILLINOIS

60010

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

WILLIAM A. BALLENTINE

847/462-9300

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

FINANCIAL MANAGEMENT RESOURCES, INC - SANTOWSKI, BERNARD P.

(Name — if individual, state last, first, middle name)

1317 TALLY HO DRIVE

ADDISON

ILLINOIS

60101

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☐ Certified Public Accountant
☒ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 31 2003

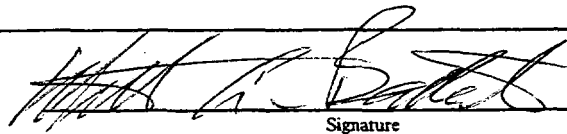
**THOMSON
FINANCIAL**

FOR OFFICIAL USE ONLY

OATH OR AFFIRMATION

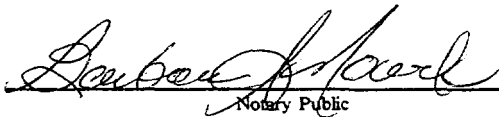
I, WILLIAM A BALLENTINE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HILLCREST ASSET MANAGEMENT, INC., as of DECEMBER 31, ~~19~~2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

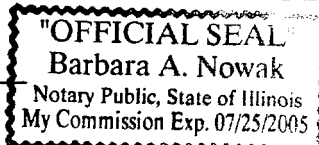
NONE


Signature

PRESIDENT

Title


Notary Public



This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

FINANCIAL MANAGEMENT RESOURCES

To the Board of Directors and
Shareholders of
Hillcrest Asset Management, Inc. (formerly Ballentine Investments, Inc.)

We have audited the accompanying balance sheet of Hillcrest Asset Management, Inc. as of December 31, 2002, and the related statements of operations, shareholders' equity and cash flows for the year ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hillcrest Asset Management, Inc. at December 31, 2002, and the results of operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

 Beau P. Smith, PA

Financial Management Resources, Inc.
Addison, Illinois
March 14, 2003

HILLCREST ASSET MANAGEMENT, INC.
800 PLUM TREE ROAD
BARRINGTON HILLS, ILLINOIS 60010

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2002

BALANCE SHEET

ASSETS

| | |
|-------------------------|-------------|
| Cash | \$15,805.10 |
| Clearing Deposit | \$125.40 |
| Proprietary Account | \$0.00 |
| Other Receivables | \$302.90 |
| Fixed Assets - Net | \$2,068.60 |
| Office Security Deposit | \$0.00 |
| Other Deposits | \$0.00 |

| | |
|--------------|-------------|
| TOTAL ASSETS | \$18,302.00 |
|--------------|-------------|

LIABILITIES & CAPITAL

LIABILITIES

| | |
|----------------------------|----------|
| Accrued Accounts Payable | \$450.00 |
| Accrued Commission Payable | \$0.00 |
| Payroll Taxes Payable | \$0.00 |
| Income Taxes Payable | \$0.00 |
| Sub Loan Agreement I | \$0.00 |
| Sub Loan Agreement II | \$0.00 |

| | |
|-------------------|----------|
| TOTAL LIABILITIES | \$450.00 |
|-------------------|----------|

CAPITAL

| | |
|-------------------------------------|---------------|
| Common Stock - ISSUED & OUTSTANDING | \$2,000.00 |
| TREASURY STOCK | \$1,000.00 |
| Additional Paid in Capital | \$31,100.00 |
| Retained Earnings - Jan 01 | \$26,427.49 |
| Prior Profit/Loss | (\$40,803.40) |
| Month Profit/Loss | (\$1,872.09) |

| | |
|---------------|-------------|
| TOTAL CAPITAL | \$17,852.00 |
|---------------|-------------|

| | |
|---------------------------|-------------|
| TOTAL LIABILITY & CAPITAL | \$18,302.00 |
|---------------------------|-------------|

HILLCREST ASSET MANAGEMENT, INC.
800 PLUM TREE ROAD
BARRINGTON HILLS, ILLINOIS 60010

INCOME STATEMENT
12 MONTHS ENDED DECEMBER 31, 2002

INCOME

| | |
|------------------------------|---------------|
| Commissions | \$4,898.39 |
| Interest Earned | \$36.17 |
| Gain/(Loss) On Sale Of Stock | (\$32,044.61) |
| Unrealized Gain/(Loss) | \$0.00 |

(\$27,110.05)

EXPENSES

| | |
|----------------------------|------------|
| Advertising | \$0.00 |
| Answering Services | \$0.00 |
| Bank Service Charges | \$198.83 |
| Books & publications | \$170.00 |
| Contributions | \$0.00 |
| Depreciation Expense | \$1,081.08 |
| Entertainment Expenses | \$0.00 |
| Income Tax Expense | \$0.00 |
| Insurance | \$10.00 |
| Interest Expense | \$25.00 |
| Legal & Professional Fees | \$2,226.25 |
| Misc Sundry Expenses | \$520.00 |
| Office Maintenance | \$1,586.00 |
| Office Move Expenses | \$0.00 |
| Office Supplies | \$362.99 |
| Other Professional Dues | \$0.00 |
| Payroll Taxes | \$0.00 |
| Postage & Delivery | \$157.42 |
| Registration & Filing Fees | \$2,475.00 |
| Rent | \$2,101.00 |
| SIPC General Assessments | \$0.00 |
| Telephone | \$513.76 |
| Travel Expenses | \$0.00 |
| Utilities | \$1,735.11 |
| Vehicle Expenses | \$2,403.00 |
| Wages & Commissions | \$0.00 |

TOTAL EXPENSES

\$15,565.44

NET PROFIT/LOSS

(\$42,675.49)
=====

HILLCREST ASSET MANAGEMENT, INC.
800 PLUM TREE ROAD
BARRINGTON HILLS, ILLINOIS 60010

**STATEMENT OF CHANGES IN
FINANCIAL CONDITION
YEAR ENDED DECEMBER 31, 2002**

CASH FLOW FROM ACTIVITIES

| | |
|---------------------------------|--------------|
| NET INCOME FROM COMMISSIONS | -\$10,667.05 |
| INTEREST EARNED | \$36.17 |
| GAIN/(LOSS) ON SALE OF STOCK | -\$32,044.61 |
| UNREALIZED GAIN/(LOSS) ON STOCK | \$0.00 |
| ADDITIONAL PAID IN CAPITAL | \$31,100.00 |

NON CASH ITEMS:

| | |
|-----------------------------------|------------|
| DEPRRECIATION EXPENSE | \$1,081.08 |
| (INCREASE) IN ACCOUNTS RECEIVABLE | -\$302.90 |
| INCREASE IN ACCOUNTS PAYABLE | \$450.00 |
| CHANGE IN SUB LOAN AGREEMENTS | \$0.00 |

| | |
|-----------------------------------|--------------|
| NET CASH PROVIDED FROM OPERATIONS | -\$10,347.31 |
|-----------------------------------|--------------|

CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES

| | |
|-------------------------------|--------|
| INCREASE IN NOTES PAYABLE | \$0.00 |
| SALE OF MARKETABLE SECURITIES | \$0.00 |
| PURCHASE OF EQUIPMENT | \$0.00 |

| | |
|---|--------|
| NET CASH USED FOR INVESTING & FINANCING | \$0.00 |
|---|--------|

| | |
|---------------------------------|--------------|
| NET INCREASE/(DECREASE) IN CASH | -\$10,347.31 |
|---------------------------------|--------------|

| | |
|-------------------------|-------------|
| CASH, BEGINNING OF YEAR | \$26,277.81 |
|-------------------------|-------------|

| | |
|-------------------|-------------|
| CASH, END OF YEAR | \$15,930.50 |
|-------------------|-------------|

HILLCREST ASSET MANAGEMENT, INC.
800 PLUM TREE ROAD
BARRINGTON HILLS, ILLINOIS 60010

**STATEMENT OF CHANGES IN
STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2002**

| | COMMON STOCK | RETAINED EARNINGS | ADDITONAL PAID IN CAPITAL | TOTAL |
|----------------------------|---------------------|-----------------------|------------------------------|----------------------|
| BALANCE, DECEMBER 31, 2001 | \$3,000.00 | \$26,427.49 | \$0.00 | \$29,427.49 |
| NET INCOME | ----- | -\$42,675.49 | \$0.00 | -\$42,675.49 |
| ADDITONAL PAID IN CAPIT | ----- | ----- | \$31,100.00 | \$31,100.00 |
| | ----- | ----- | ----- | ----- |
| BALANCE, DECEMBER 31, 2002 | \$3,000.00 ===== | -\$16,248.00 ===== | \$31,100.00 ===== | \$17,852.00 ===== |

**HILLCREST ASSET MANAGEMENT, INC.
800 PLUM TREE ROAD
BARRINGTON HILLS, ILLINOIS 60010**

NET CAPITAL - DECEMBER 31, 2002

| | | |
|-----------------------------------|--------------|--------------------|
| Net Worth | \$17,852.00 | |
| Less: Non Allowable Assets | (\$2,371.50) | |
| Adjusted Net Worth | | \$15,480.50 |
| Less: Haircuts - Clearing Account | \$2.51 | |
| Haircuts - Inventory | (\$0.00) | |
| Tentative Net Capital | | \$15,477.99 |
| Sub Loan Add Back | \$0.00 | |
| TOTAL NET CAPITAL | | <u>\$15,477.99</u> |

| | |
|-------------------------------------|-------------|
| MINIMUM CAPITAL REQUIRED | \$5,000.00 |
| EXCESS OVER MINIMUM CAPITAL | \$10,477.99 |
| EXCESS OVER 120% OF MINIMUM CAPITAL | \$9,477.99 |
| AGGREGATE INDEBTEDNESS | \$450.00 |
| OTHER LIABILITIES | \$0.00 |

AI/NC 2.91%

I ATTEST TO THE TRUTH AND ACCURACY OF THE ABOVE INFORMATION
AS OF THE DATE OF COMPUTATION

SIGNATURE _____ DATE _____
WILLIAM A BALLENTINE, PRESIDENT

HILLCREST ASSET MANAGEMENT, INC.
800 PLUM TREE ROAD
BARRINGTON HILLS, ILLINOIS 60010

COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1
DECEMBER 31, 2002

| | | |
|---|-----------------------------------|--------------------|
| | <u>Computation of Net Capital</u> | |
| STOCKHOLDER'S EQUITY | | <u>\$17,852.00</u> |
| NON-ALLOWABLE ASSETS: | | |
| FIXED ASSETS - NET | | \$2,068.60 |
| COMMISSIONS RECEIVABLE OVER 30 DAYS | | \$0.00 |
| OTHER ASSETS | | \$302.90 |
| EXCESS CLEARING DEPOSIT | | <u>\$0.00</u> |
| TOTAL NON-ALLOWABLE ASSETS | | <u>\$2,371.50</u> |
| NET CAPITAL BEFORE HAIRCUTS ON SECURITY POSITIONS | | \$15,480.50 |
| HAIRCUTS ON SECURITIES: | | |
| MONEY MARKET BALANCES | | <u>\$2.51</u> |
| NET CAPITAL BEFORE SUBORDINATED LOANS | | \$15,477.99 |
| SUBORDINATED LOANS ADD BACK | | <u>\$0.00</u> |
| NET CAPITAL | | \$15,477.99 |
| MINIMUM CAPITAL REQUIREMENT - THE GREATER OF \$5,000 OR 6 2/3% OF AGGREGATE INDEBTEDNESS | | <u>\$5,000.00</u> |
| EXCESS NET CAPITAL | | <u>\$10,477.99</u> |
| RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL | | 2.91 |
| SCHEDULE OF AGGREGATE INDEBTEDNESS: | | |
| COMMISSIONS PAYABLE | | \$0.00 |
| ACCOUNTS PAYABLE | | \$0.00 |
| PAYROLL TAXES PAYABLE | | <u>\$0.00</u> |
| TOTAL AGGREGATE INDEBTEDNESS | | <u>\$0.00</u> |
| RECONCILIATION WITH THE COMPANY'S COMPUTATION (INCLUDED IN PART IIA OF FORM X-17A-5 AS OF DECEMBER 31,2002): | | |
| NET CAPITAL, AS REPORTED IN THE COMPANY'S PART II (UNAUDITED) FOCUS REPORT | | \$15,477.99 |
| AUDIT ADJUSTMENTS: | | |
| INCREASE IN NON-ALLOWABLE ASSETS | | \$0.00 |
| OTHER ADJUSTMENTS | | <u>\$0.00</u> |
| NET CAPITAL PER ABOVE | | <u>\$15,477.99</u> |